



July 2008

Property Tax Deductions & Credits FACT SHEET

Facts

Property Tax Deductions & Credits:

Deductions provide tax relief by reducing a fixed dollar amount from the assessed value a taxpayer pays on a given parcel of property. The County Auditor multiplies the tax rate by the assessed value after all deductions are subtracted from each property.

Credits provide tax relief by reducing a designated percentage of the net tax bill. The county auditor applies the credits to arrive at the total amount the property owner will pay in taxes to the county.

How it Works:

There are a number of [property tax deductions and credits](#) available to Indiana property owners. Taxpayers may claim these benefits by filing an application with the Auditor in the County where the property is situated.

Applications for deductions and credits must be filed during the year in which the deduction is sought to be effective for taxes payable in the following year. For example, a homeowner who owns his home any time prior to December 31, 2008 and applies for a deduction by December 31, 2008 will see the deduction applied to his 2009 tax bill.

The Homestead Standard Deduction is the most commonly used and allows homeowners who use a property as their primary residence to qualify for a reduction. A person entitled to receive the Homestead Credit for taxes payable in the following year is entitled to the Homestead Standard Deduction.

2008 Legislative Changes:

With the passage of House Enrolled Act (HEA) 1293 into law, taxpayers are now able to use the sales disclosure form as an application form for the Homestead Credit and selected property tax deductions for newly purchased property. (Otherwise, the regular deduction/credit application forms are still valid.)

Filing Requirements:

- Deduction applications must be filed before the end of the year prior to the year property taxes will come due.
- Once filed, reapplication is only necessary if the property is sold, the title is changed or (for the mortgage deduction only) the home is refinanced.
- Taxpayers may claim deductions by filing an application with the Auditor in the County where the property is located.
- A taxpayer must be the owner or contract buyer on the filing date to which the credit or deduction applies (up until December 31st of any year to be applied to the next year's tax bill.)
- Taxpayers who own mobile/manufactured homes not assessed as real property must file during the 12 months before March 31st of each year.

HEA 1293: Streamlines the sales disclosure form process for real estate transactions and includes provisions relating to the homestead credit and property tax deductions.

The following changes affect taxes payable in 2009:

- Qualified homeowners can now claim the homestead credit and property tax deductions any time during a calendar year. (Except taxpayers who own mobile/manufactured homes not assessed as real property must file during the 12 months before March 31st of each year.)
- The March 1st ownership and June 10th filing deadlines are eliminated. As before, deductions properly filed during the year 2008 for property owned in 2008 will apply to property taxes due in 2009.
- To ensure there is no gap in qualifying for available tax relief between a new homeowner and the previous homeowner, the homestead credit or a property tax deduction applies (transfers to the new owner) automatically in a year if: (1) the credit or deduction applied in the immediately preceding year; and (2) the current title holder or contract buyer is eligible for the credit or deduction.

Several new tax relief provisions were included with the passage of HEA 1001. This bill provided an expanded homestead credit for 2008 and additional homestead credits for 2009 and 2010.

Beginning in 2009, state homestead credits will be replaced as state government assumes the responsibility for funding some services by using Property Tax Replacement Credit (PTRC) dollars to permanently pay for significant portions of local property tax levies.

Property Tax Replacement Credits are a state program of tax relief. The PTRC rate is applied to the gross tax. Because this revenue is available to local government, the state paid local governments the PTRC amounts. Before July 1, 2009, the PTRC fund will be eliminated and the revenue will be re-directed to the state general fund to permanently pay for significant portions of local property tax levies.

For 2009 and after, the maximum amount of the standard deduction is the lesser of \$45,000 or 60% of assessed value. Additionally, homesteads would qualify for a supplemental deduction beginning with taxes payable in 2009. The supplemental deduction would be determined for each homestead based on the homestead's net AV less the standard deduction.

Previously a taxpayer qualified to claim deductions and the homestead credit must have owned the property on March 1 of the assessment year and must have filed an application by June 10 of the assessment year (one year preceding the next year's tax statement). In addition, deductions did not transfer from one property owner to another.

HEA 1001: Levy Elimination - Transferred from Local Governments to the State:

- Remaining School General Fund
- Child Welfare Fund
- State Fair levy
- Forestry Fund
- Juvenile incarceration costs
- K-12 pension debt costs
- Pre-school special education costs
- Remaining 50% of pre-1977 local police and fire pension costs.

Previously homesteads would qualify for a property tax standard deduction equal to the lesser of one-half of the homestead's gross assessed value or \$45,000 for taxes payable in 2008, \$44,000 for 2009, \$43,000 for 2010, \$42,000 for 2011, \$41,000 for 2012, and \$40,000 thereafter.

List of Deductions and Credits: http://www.in.gov/icpr/webfile/formsdiv/51781.pdf	Forms Required:
<ul style="list-style-type: none"> • The Homestead Credit: This credit is for the homeowners' principal place of residence located in the state of Indiana. 	<ul style="list-style-type: none"> • Sales Disclosure Form 46021; or State Form #18865
<ul style="list-style-type: none"> • Homestead Standard Deduction: A taxpayer who is eligible for a homestead credit is eligible for a standard deduction. 	<ul style="list-style-type: none"> • Sales Disclosure Form 46021; or State Form #18865
<ul style="list-style-type: none"> • Mortgage Deduction: The deduction equals \$3,000, one-half of the assessed value of the property, or the balance of the mortgage or contract indebtedness as of the assessment date, which ever is least. 	<ul style="list-style-type: none"> • State Form #43709
<ul style="list-style-type: none"> • Over Age 65 Deduction: The deduction equals \$12,480 if all individuals who share ownership and residence are at least 65 years of age on the December 31 prior to filing. The combined adjusted gross income of homeowners may not exceed \$25,000 and the assessed value of the property must be \$182,430 or less. 	<ul style="list-style-type: none"> • State Form #43708; and IRS Form 1040 for previous calendar year.
<ul style="list-style-type: none"> • Senior Citizen/Over Age 65 Income Based Credit: A taxpayer who is at least 65 years of age on the December 31 prior to filing for homestead property and the property taxes on the homestead increase by more than 2% from the prior year. An applicant's adjusted gross income may not exceed \$30,000 or \$40,000 for a married couple filing jointly. The assessed value of the property must be \$160,000 or less. 	<ul style="list-style-type: none"> • State Form #43708; and IRS Form 1040 for previous calendar year.
<ul style="list-style-type: none"> • Blind and Disabled Deduction: The maximum deduction is \$12,480. Applicants must provide proof of blindness or disability to the county auditor. <i>(Can be combined with any other deductions except Over Age 65.)</i> 	<ul style="list-style-type: none"> • State Form #43710; and proof of blindness or proof of disability.
<ul style="list-style-type: none"> • Disabled Veteran Deduction: Received an honorable discharge after serving at least 90 days in the U.S. military and suffering from at least a 10% disability if over age 62 or a complete disability if under the age of 62. The assessed value of the applicants property must not exceed \$143,160. <i>(Can be combined with any other deductions except Over Age 65.)</i> 	<ul style="list-style-type: none"> • State Form #12662; Proof of eligibility.
<ul style="list-style-type: none"> • Veteran with Service Connected Disability Deduction: Received an honorable discharge after having service in the U.S. Military or Naval forces during any of its wars and suffers from at least a 10% service connected disability. <i>(Can be combined with any other deductions except Over Age 65 and Surviving WWI Spouse.)</i> 	<ul style="list-style-type: none"> • State Form #12662; Proof of eligibility.
<ul style="list-style-type: none"> • Veteran of World War I Deduction: The deduction equals \$18,720 for a veteran of World War I who's principal place of residence has an assessed value of less than \$206,500. <i>(Can be combined with any other deductions except Over Age 65.)</i> 	<ul style="list-style-type: none"> • State Form #12662; Proof of eligibility
<ul style="list-style-type: none"> • Surviving Spouse of World War I Veteran Deduction: The deduction equals \$18,720 for a surviving spouse of a veteran of World War I who's deceased spouse served in the military forces of the U.S. before November 12, 1918 and received an honorable discharge. <i>(Can be combined with any other deductions except Over Age 65 and Veteran with Service Connected Disability.)</i> 	<ul style="list-style-type: none"> • State Form #12662; Proof of eligibility
<ul style="list-style-type: none"> • Solar Energy or Wind Deduction: A taxpayer may have deducted each year an amount equal to the remainder of assessed value of the property with the energy or power device included minus the assessed value of the property without the energy or power device. 	<ul style="list-style-type: none"> • Sales Disclosure Form 46021; or State Form #18865
<ul style="list-style-type: none"> • Geothermal or Hydroelectric Deduction: A taxpayer may have deducted each year an amount equal to the remainder of assessed value of the property with the energy or power device included minus the assessed value of the property without the energy or power device. 	<ul style="list-style-type: none"> • Sales Disclosure Form 46021; or State Form #18865; Certification from IDEM

Q: How does a qualified taxpayer apply for property tax deductions?

A: Taxpayers should contact their County Auditor to file the proper forms. Forms are also located on the DLGF web site at: <http://www.in.gov/icpr/webfile/formsdiv/2544.htm>.

Q: Are taxpayers required to reapply each year for property tax deductions?

A: Taxpayers do not need to reapply for deductions each year. Reapplication should only occur if the property is sold, the title is changed or the home is refinanced (mortgage deduction only).

Q: Do all deductions transfer from the previous property owner to the new owner?

A: In the event that the property is sold (even more than once during the year), eligibility for the homestead credit and other applicable property tax deductions will be automatically transferred to the new owner if he is otherwise eligible, and if the previous owner qualified for the deductions. This provision lasts for the current year only. The new owner would have to file to receive the deductions in subsequent years.

Q: Is the filing deadline the same for Personal Property as Real Property?

A: The filing deadline for deduction applications for mobile homes and manufactured homes that are not assessed as real property is the twelve months before March 31, unless noted otherwise.

Q: How does the Supplemental Deduction work?

A: The supplemental deduction would be determined for each homestead based on the homestead's net AV after subtracting off the standard deduction. The supplemental deduction would equal 35% of the first \$600,000 of net AV plus 25% of any net AV that exceeds \$600,000.

Q: Is my property eligible for the Homestead Credit if I rent apartment units to other individuals within the home or building where I reside?

A: Yes, but only the portion where you reside. In other words, no portion of a residential dwelling which is income producing is eligible for the homestead credit such as units of your apartment that you choose to rent out to other individuals in your unit apartment house. However, the portion of the residential dwelling that is your primary residence is eligible for the homestead credit.

Q: What happens if a property owner files for more than one Homestead Credit?

A: The new law has built-in protections to ensure that only one credit is claimed for the homestead of each individual property taxpayer.

For more information or questions regarding deductions and eligibility, contact your County Auditor. A complete listing of Auditor contact information can be found online at: <http://www.in.gov/dlgf/2440.htm>.

Contact the Indiana Department of Local Government Finance at (317) 232-3777 or online at: <http://www.in.gov/dlgf>.